

INTRODUCTION OF A BILL TO ELIMINATE TAXES ON TIPS UP TO \$10,000

HON. DUNCAN HUNTER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 25, 1999

Mr. HUNTER. Mr. Speaker, today I rise to introduce a bill that will benefit millions of Americans directly, substantially and quickly, including most notably single mothers and students. Furthermore, this legislation will lift some of the heavy burden of government off of thousands of small businesses.

My bill is very simple. It calls a tip what it is: a gift. All tips earned, not to exceed \$10,000 annually, would be tax-free. This puts hundreds of dollars a month back where it belongs, with the individual who earned it.

Those who work in the service sector, who rely principally on tips for their income, work in a system transacted largely in cash. Accounting for small amounts of cash for income tax purposes is not only unworkable, it is unenforceable even if a paperwork scheme could somehow be conceived.

Small amounts of cash, received through hundreds and hundreds of transactions, and almost never while standing behind a cash register, should not be taxable. Washington bureaucrats lack an understanding as to just how impractical the present system is to all those who labor so hard for their tips.

The system simply breaks down.

Tips cannot possibly be reported accurately, and law-abiding citizens who work for tips do not wish to be labeled cheaters by people who don't understand the realities of their work.

It is time to change that.

My bill caps the tax-free earnings of those who make waiting on tables a career in high-end restaurants and resorts, at \$10,000. But for the 95 percent of those in the service sector who work for tips, it's time to change the tax law covering income from tips.

Under current law, service employees who typically earn tips are assumed to have made at least 8 percent of their gross sales in tips. This tax is applied regardless of the actual level of the tip. Further, if the service personnel earns more than 8 percent in tips they are expected to report them accordingly. The end result for these employees, many of whose base salaries do not exceed minimum wage, is that they may have to pay taxes on income they didn't receive.

In addition, accounting for tips and gross sales is a burden on every restaurant, bar or other small business whose employees are regularly tipped. They are constantly under threat of an audit, where the IRS will hold their business responsible if the agency determines tip skimming to have occurred.

By putting in place a reasonable annual cap and strictly defining a tip, this tax relief bill is clearly focused on low- to middle-income households. According to the industries involved, most of the employees that will be helped are either students or single mothers. In addition, most of the employees are at the beginning of their careers.

Those in the service sector who rely on tips for their income are a special breed of people.

Those who work for tips see a direct relationship between effort and reward like few others. Night after night, day after day, weekend after weekend, the millions of bell hops, valet parking attendants, coat checkers, taxi drivers, hairdressers, bartenders, waiters and waitresses are on the job, working hard and providing vital services to people of every walk of life.

Let us give a break to those who labor so hard for their living. Let's show them, for a change, that the Federal Government is not so out of touch, and has some understanding of life for so many, especially during their younger years in entry level jobs. I hope other Members will join with me in this common sense proposal that will help millions of hard-working Americans.

COMMENDING CITIZENS FROM CONNECTICUT FOR AIDING VICTIMS OF HURRICANE MITCH

HON. SAM GEJDENSON

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 25, 1999

Mr. GEJDENSON. Mr. Speaker, I am pleased to call my colleagues' attention to the work of a number of people from Connecticut who are helping to make life easier for our neighbors in Central America.

Last October, Central America suffered the greatest natural disaster of this century when Hurricane Mitch roared through the region. In Honduras, Nicaragua, Guatemala and El Salvador, Hurricane Mitch caused more than 9,000 deaths, left millions homeless, and resulted in \$8.5 billion in damage to homes, hospitals, schools, roads, farms, and businesses. As these countries were consolidating the gains of democracy, this brutal natural disaster came along and wiped out years of progress.

I have attached an article that appeared this week in the *Hartford Courant* which illustrates that the people of Connecticut are going out of their way to alleviate suffering and restore a small ray of hope to the people of Honduras. The Honduras Relief Committee of Connecticut—led by Dario Euraque, Cynthia Hall and a number of other students at Trinity College—has raised \$30,000 for relief efforts and sent 50 tons of food, clothing and medical supplies to Honduras.

Mr. Speaker, it is unfortunate that Congress has failed to provide desperately needed assistance to the hurricane-ravaged nations of Central America. I commend the people of Connecticut are helping to fill this void by providing assistance directly to the people of Central America. This kind of assistance is vital to alleviate suffering. Moreover, it also deepens the bonds of friendship between the people of the U.S. and the people of Central America. This will pay dividends for years to come.

AMBASSADOR OUTLINES NEEDS OF HONDURAS

(By Cynde Rodriguez)

The Honduran ambassador to the United Nations asked for continued global and financial support Saturday as the country begins to rebuild after being devastated by Hurricane Mitch last fall.

The ambassador, Hugo Noe Pino, told a small crowd at Trinity College that, several months after the natural disaster, Honduras is looking for financial help to rebuild roads, bridges, homes and schools. While Honduras received millions of dollars in emergency food and supplies right after the hurricane, Pino said there is still a lot of work to be done.

Hurricane Mitch killed more than 9,000 people and caused about \$7 billion to \$10 billion in damage.

New maps of Honduras are now being drawn to reflect rivers that have taken new courses and villages that were forced to relocate.

Pino said there is a big concern that Honduras will be forgotten in the coming months, that developed countries in the position to help may turn their attention and dollars elsewhere.

"In the emergency part, one month after the hurricane, international help was very important and opportune to prevent hunger. The most important need now is to rebuild," Pino said. "After six months, people forget about what happened and there's a problem in another part of the world and the attention goes there."

In an effort to prevent that from happening, the Clinton administration recently asked Congress for an emergency package of \$956 million to rebuild Central America. The money would be in addition to the \$300 million already provided for immediate disaster relief.

Locally, the Honduras Relief Committee of Connecticut continues to raise money and supplies, said Dario Euraque, director of international studies at Trinity and the committee's treasurer. Since November, the committee has raised \$30,000 and has sent 50 tons of food, clothing and medical supplies to Honduras.

Trinity senior Cynthia Hill will be one of three students to go on a relief mission in June. Hill and the others will use a \$2,000 donation from Trinity to buy food and medical and housing supplies for Hondurans while they are there.

An anthropology major who graduates in June, Hill said she was compelled to help with the relief effort because "the devastation was so all-consuming."

"Every aspect of the country was hit," said Hill. "I see it as they have a right to be rebuilt. . . . It was a natural disaster. It just happened to be Honduras, but it could've been any of us."

COMMENDING SIX AFRICAN AMERICAN LEADERS FOR THEIR VITAL ROLES

HON. DIANA DeGETTE

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 25, 1999

Ms. DeGETTE. Mr. Speaker, I would like to recognize the efforts of six African American leaders in Denver who fulfill vital roles in their communities. It is to commend these outstanding citizens that I rise to honor Rev. Paul Martin, Gloria Holliday, Rev. James Peters, Jr., Menola Neal Upshaw, Rev. Jesse Langston Boyd, Jr., and Arie Parks Taylor.

Reverend Paul Martin is the Chair of the Denver Urban League and also Senior Pastor at Denver's Macedonia Baptist Church. In conjunction with his church, he has laid the